BILLING RX

A publication of **Profitable**MD

Billing Rx:
The Prescription to Getting Paid

A recent survey by ProfitableMD indicated that the overwhelming majority of independent practices need to make significant improvements in their billing operations. Practices must be paid in order to survive, let alone be profitable. Yet while physicians are taught to diagnose and treat conditions that are harmful to their patients, our survey results suggest many small and mid-sized practices fail when it comes to identifying and treating conditions threatening their own financial health

The cure for maximizing payments starts by diagnosing the ever-increasing challenges that burden current billing processes. Longstanding inefficiencies will be amplified by new trends, namely a shift toward greater patient responsibility.

This report reveals how to examine current billing procedures to diagnose potential issues and determine a prescription for collecting more payments, faster.

1. **Examining Your Billing Health:** How to evaluate your current billing procedures and identify potential issues.
2. **The Prescription for Treatment:** How to efficiently collect all you are owed from both the patient and the payer.

Examining Your Billing Health

Similar to a yearly physical, practices should perform an annual examination of their billing health to address current issues and identify future ones. These three questions are essential in evaluating the profitability of your billing department: What is the cost? How effective are you? How prepared are you to handle changes?

What does it cost you to bill?

Our survey suggests that many practices do not know the answer to this critical question. Use this simple table to get a sense of your cost. The total may surprise you.

Practice Management System	$ _____
Clearinghouse Fees (eligibility fees + claims filing fees + electronic remit fees)	$ _____
Paper Claims (Postage + Supplies) x Number of claims mailed	$ _____
Statements (Postage + Supplies) x Number of statements mailed	$ _____
+ Billing and Coding staff salary (base + 17% taxes and benefits)	$ _____
+ Other costs attributed to billing and compliance	$ _____
Estimated Annual Billing Costs	**$ _____**

While some of these costs are fixed, such as the recurring maintenance on your practice management system, many of them are not. The more efficiently you manage your overall billing process the lower your costs will become. Decreasing the number of claims and statements required to collect on an account is the first step to becoming more profitable.

Estimated Annual Billing Costs

How effective are you now?

Nothing is more essential to your practice's profitability than the ability to collect payment. While it's important to measure key indicators such as the number of days spent in accounts receivable, these numbers are just that without baselines upon which to compare them. Use the chart below to determine how well your practice performs as compared to your peers.

	Multispecialty Groups, all owners		Primary care single-special groups	
	Better Preformers	Others	Better Preformers	Others
Total accounts receivable (A/R) per FTE physician	$81,375	$128,499	$59,666	$88,299
Percent of total A/R 0-30 days	63.71%	47.11%	63.04%	44.86%
Percent of total A/R 31-60 days	14.80%	13.35%	13.14%	13.17%
Percent of total A/R 61-90 days	7.40%	8.24%	6.94%	8.04%
Percent of total A/R 91-120 days	4.65%	5.72%	4.40%	5.73%
Percent of total A/R 120+ days	9.81%	22.43&	8.50%	22.49%
Adjusted fee for service (FFS) collection percentage	100.0%	97.4%	99.4%	98.5%
Bad debts due to FFS activity per FTE physician	$8,257	$20,167	$6,477	$11,138
Days gross FFS charges in A/R	29.5	46.1	26.9	43.9
Patient accounting support staff per FTE physician	0.60	0.63	0.46	0.55
Patient accounting support staff cost per FTE physician	$20,939	$19,677	$15,719	$17,715

Source: *MGMA Performance and Practices of Successful Medical Groups: 2009 Report Based on 2008 Data*

How prepared are you to adapt to changes?

While much of the payer side of billing is automated, almost if not all of the patient side is manual. That was a secondary issue when so little revenue came from the patient. However, patient responsibility is now up to 35 percent according to MGMA. And many believe it will continue rising. As patient responsibility grows, inefficiencies will be exposed.

> It's 2012. Any practice that is not communicating with their patients electronically is wasting a lot of money.

"The patient's responsibility has grown far beyond the co-pay as it once was. This makes the challenge of collections far greater than we've ever experienced," says Alisa Rivera, Vice President of Operations at Medical Management Corporation of America. As a result the costs to collect from a patient are twice as much as collecting from a payer.

Unfortunately the answer is not as simple as instructing the front desk staff to do a better job of collecting payments. A new approach, and most importantly, new technology is needed to bridge the gap in collecting payment at both the time of service and post visit. "As self-pay patients become more prevalent, it's important for providers to stay on top of pre-determining eligibility and offering easier ways for patients to pay," says Jim Riley, president and CEO at Capario. "Why not implement a tool that gives you the ability to collect payments at any point during the revenue cycle? It's a no-brainer."

The Prescription

The medicine for efficient billing is technology. It can lead to faster collections, less delinquent accounts and significant cost savings. But to maximize the benefits requires small changes to workflow, like collecting patient emails. Below are several suggestions for curing many billing illnesses and preventing others.

Develop an e-billing strategy

It's 2012. Any practice that is not communicating with their patients electronically is wasting a lot of money.

Collect emails

It all starts with collecting emails. Email is less expensive and faster than paper billing and is the preferred communication method by many. "We have found emails to be extremely helpful in patient A/R, and collect them as often as possible," says Julie Bos of AR Health Consulting.

> Less than 50% of practices stated they are aggressively collecting emails.
> – ProfitableMD survey Spring 2012

And the benefits are not limited to sending bills. By collecting patient email addresses, even the once timely task of posting individual payments to the practice management system can now be automated.

Consider a Patient Portal

It is not surprising that 35 percent of practices in our survey indicated they are purchasing a portal this year. Those that have already implemented patient portals are touting the benefits, including improved efficiencies in collecting patient payments.

"The patient can also make payments online, set up a payment plan, and view their statements," says Kathleen Shanahan of Primary Care Associates in Illinois. "We have had a huge response from every age group in a positive way."

Keep in mind that maximizing your return on the investment in a patient portal requires more than just implementing the technology itself. If your strategy involves mailing patients a letter listing a web address, don't expect much response. You'll benefit from a much higher return rate if you encourage sign-up through the same form of communication as the portal (i.e. online). Once again, it all starts with asking for patient emails.

Should You Outsource?

Three Questions to Ask Yourself

1. How does your A/R and bad debt compare to your peers? (See the MGMA table)

2. Are you gaining or losing money by doing billing in-house?

3. What would be the impact if one of your billing staff left?

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"We incorporated the request for email into our new patient paperwork. We strongly encourage patients to register using the patient portal. We let them know it will expedite their appointment and reduce wait times since they won't have to complete paperwork at the office," says Michelle James, Practice Manager at South Florida ENT Associates, P.A.

Explore Pre-Authorization Solutions

Pre-authorized payment solutions allow the front desk staff to collect patients' credit card information up front along with authorization to charge the card after the claim is adjudicated. It works just like a hotel stay; upon check-in you provide credit card information that is used to bill for your stay once completed.

"Just asking a patient for an open-ended commitment is very difficult," says Brian Beutner, CEO of mPay Gateway. "Best practice is to limit each authorization to a single visit with a dollar limit reflecting your own rates. It is all about increasing transparency and simplifying the payment process. By doing that we have seen patient compliance rates upwards of 80 percent."

Update your Practice Management System

Calling the payers or looking up individual information on the payer's website can take up hours of time. Now eligibility and estimation can be done automatically, taking away much of the guess work at the point of care.

There are many options now available for practices to check eligibility using real time or batch mode 270 transaction sets. Most payers are able to send a 271 response. If you are using a state of the art PM system, you should be able to allow 270/271 transactions to flow in and out of your system with ease.

Using your patient's demographic information along with your contracted rates with their insurance carriers, there are tools available to estimate a patient's out-of-pocket cost based on the services delivered or scheduled. This benefits practices by accelerating cash flow, lowering collection costs and empowering staff with the needed information to collect payments at the time of service. This also benefits patients by setting expectations for payments and assists patients in making smarter decisions about how they pay for their healthcare services.

Closing

Improving your practice's financial health relies on your ability to reduce billing costs, increase efficiency, and prepare for changes to come. There is no greater prescription for each of these challenges than to invest in new technologies that allow you to collect more payments, faster from both patients and payers alike.

About ProfitableMD

ProfitableMD allows practices to read peer ratings and reviews of EHRs, PM systems, third party billing services and more. And it's free. We also provide best practices and additional resources to help practices run their business like a business. For more information, visit **www.profitablemd.com.**

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